

**ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF WEBSTER CITY, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

CITY OF WEBSTER CITY, IOWA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013  
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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of City Council  
City of Webster City  
Webster City, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City

of Webster City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

As described in Note 15 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 4 through 11 and 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information included on pages 57 through 70 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2013, on our consideration of the City of Webster City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Webster City's internal control over financial reporting and compliance.

*William & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
December 10, 2013

**CITY OF WEBSTER CITY**  
Management Discussion and Analysis  
For the year ending June 30, 2013

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2013. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

**Financial Highlights**

- Asphalt resurfacing and street repairs continue throughout the City using local option sales tax money. In addition, with the renewal of this tax in 2012, this money is now also being used to repair and maintain water and sewer lines throughout the City.
- Interest rates on investments remain extremely low while assessed property values in the community have remained relatively stable. As a result, revenue growth has been limited.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the City of Webster City's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving the rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-

type activities of the City of Webster City include the operation of electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 42 individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, second street reconstruction fund and debt service fund, of which all are considered to be major funds. Data from the other 39 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual combined budget for all of its funds except private purpose trust funds and internal service funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

*Proprietary Funds:* The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting



device used to accumulate and allocate costs internally among the City of Webster City's various functions. The City of Webster City uses an internal service fund to account for self-insured dental/vision insurance. The internal service fund will be found in the governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

The largest portion of the City of Webster City's net position (63%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Webster City's Net Position								
	Governmental Activities		Business-type Activities		Total		Component Units	
	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13
Current and other assets	\$ 12,183,252	\$ 10,900,819	\$ 34,569,785	\$ 28,614,712	\$ 46,753,037	\$ 39,515,531	\$ 3,187,121	\$ 471,153
Capital Assets,								
net of depreciation	26,359,202	28,623,478	19,670,242	26,166,658	46,029,444	54,790,136	31,500	30,660
Total Assets	38,542,454	39,524,297	54,240,027	54,781,370	92,782,481	94,305,667	3,218,621	501,813
Deferred Outflows of Resources	-	-	-	5,055	-	5,055	-	-
Current and other liabilities	4,266,688	842,228	1,479,379	1,873,937	5,746,067	2,716,165	61,508	166,173
Non-current liabilities	5,297,345	4,684,837	21,080,615	20,495,257	26,377,960	25,180,094	-	-
Total Liabilities	9,564,033	5,527,065	22,559,994	22,369,194	32,124,027	27,896,259	61,508	166,173
Deferred Inflows of Resources	-	3,523,713	-	-	-	3,523,713	-	-
Net Position:								
Investment in Capital Assets	23,374,535	24,260,399	15,518,230	15,692,662	38,892,765	39,953,061	31,500	30,660
Restricted	3,313,622	2,327,431	1,142,427	556,149	4,456,049	2,883,580	-	-
Unrestricted	2,290,264	3,885,689	15,019,376	16,168,420	17,309,640	20,054,109	3,125,613	3,102,105
Total net position	\$ 28,978,421	\$ 30,473,519	\$ 31,680,033	\$ 32,417,231	\$ 60,658,454	\$ 62,890,750	\$ 3,157,113	\$ 3,132,765

An additional portion of the City of Webster City's net assets 4.6% represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position (\$20,054,109) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate business-type activities.

*Statement of Activities.* The government's net position increased by \$2,706,001 during the fiscal year. Net position in the governmental activities increased by \$1,447,275. The key element in the governmental activity increase is a result of the conservative budgeting and the close monitoring of the expenditures and receipt of airport construction projects grants to ensure that the city maintain a strong financial position. Net position in the business type activities increased by \$1,258,726.

	City of Webster City's Changes in Net Position				Total		Component Units	
	Governmental Activities 6/30/2012	Governmental Activities 6/30/2013	Business Type Activities 6/30/2012	Business Type Activities 6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013
<b>Revenues</b>								
Program Revenues:								
Charges for Services	\$ 738,595	\$ 718,978	\$ 13,990,590	\$ 14,754,435	\$ 14,729,185	\$ 15,473,413	\$ 57,207	\$ 57,362
Operating Grants & Contributions	816,504	839,356	-	-	816,504	839,356	61,500	80,487
Capital Grants & Contributions	44,121	684,046	-	186,905	44,121	870,951	53,927	638,124
General Revenues:								
Property Taxes	3,556,887	3,546,377	-	-	3,556,887	3,546,377	-	-
Other Taxes	788,241	704,826	-	-	788,241	704,826	-	-
Other	367,701	301,522	18,223	153,294	385,924	454,816	100,209	456,805
<b>Total Revenues</b>	<b>6,312,049</b>	<b>6,795,105</b>	<b>14,008,813</b>	<b>15,094,634</b>	<b>20,320,862</b>	<b>21,689,739</b>	<b>272,843</b>	<b>1,232,778</b>
<b>Expenses:</b>								
Public Safety	2,106,889	2,156,392	-	-	2,106,889	2,156,392	-	-
Public Works	2,120,166	2,002,776	-	-	2,120,166	2,002,776	-	-
Health & Social Services	24,140	35,499	-	-	24,140	35,499	-	-
Culture & Recreation	1,129,800	1,218,869	-	-	1,129,800	1,218,869	-	-
Community & Economic Development	302,830	237,669	-	-	302,830	237,669	-	-
General Government	324,545	221,755	-	-	324,545	221,755	-	-
Interest & Fiscal Charges	185,632	149,951	-	-	185,632	149,951	-	-
Water Utility	-	-	1,684,718	1,479,388	1,684,718	1,479,388	-	-
Sewer Utility	-	-	1,359,185	1,340,719	1,359,185	1,340,719	-	-
Electric Utility	-	-	9,893,845	10,340,720	9,893,845	10,340,720	-	-
Component Units	-	-	-	-	-	-	418,934	1,257,126
<b>Total Expenses</b>	<b>6,194,002</b>	<b>6,022,911</b>	<b>12,937,748</b>	<b>13,160,827</b>	<b>19,131,750</b>	<b>19,183,738</b>	<b>418,934</b>	<b>1,257,126</b>
<b>Increase in Position Before Transfers</b>	<b>118,047</b>	<b>772,194</b>	<b>1,071,065</b>	<b>1,933,807</b>	<b>1,189,112</b>	<b>2,706,001</b>	<b>(146,091)</b>	<b>(24,348)</b>
Transfers	650,796	675,081	(656,655)	(675,081)	(5,859)	-	-	-
<b>Increase in Net Position</b>	<b>768,843</b>	<b>1,447,275</b>	<b>414,410</b>	<b>1,258,726</b>	<b>1,183,253</b>	<b>2,706,001</b>	<b>(146,091)</b>	<b>(24,348)</b>
Net Position – Beginning (Restated)	28,209,578	29,026,244	31,265,623	31,158,505	59,475,201	60,184,749	3,303,204	3,157,113
<b>Ending Net Position</b>	<b>\$ 28,978,421</b>	<b>\$ 30,473,519</b>	<b>\$ 31,680,033</b>	<b>\$ 32,417,231</b>	<b>\$ 60,658,454</b>	<b>\$ 62,890,750</b>	<b>\$ 3,157,113</b>	<b>\$ 3,132,765</b>

**Governmental Activities.** Governmental activities increased the City of Webster City's net position by \$768,843, thereby accounting for 53% of the total addition in the net position of the City of Webster City. Key elements of this increase were as follows:

Revenues and expenses remained consistent from year to year for both the governmental and business type activities.

- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
  - Purchase of equipment such as police cars.
  - Purchase of a new fire truck and pool slide.
  - The completion of various Street Improvement Projects.

The main sources of revenue for the governmental activities are from property taxes, other taxes (including local options sales tax), and grants and contributions. The City of Webster City received \$3,546,372 in property tax revenue, \$704,826 in other taxes, and \$1,523,402 in capital and operating grants and contributions.

**Business-type Activities.** The net position of the business-type activities of the City of Webster City increased by \$1,258,726.

The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. This goal was obtained for all utilities for the year ending June 30, 2013.

The electric utility is the main function of the City of Webster City Business-type Activities making up 75% of the total revenue. Since most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close. Rates are monitored in each of these utilities on an on-going basis to maintain their financial stability.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Webster City uses fund accounting to demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of \$6,045,982; with the prior year being \$5,429,340, the increase for this year was \$616,642. \$450,458 is nonspendable, \$2,332,314 is restricted, \$1,417,924 is committed, \$261,006 is assigned and \$1,584,280 is unassigned.

Revenues from the City's governmental funds totaled \$6,087,828 with taxes accounting for \$3,545,282 of that amount. Intergovernmental activities, including state and federal grants, represented another \$1,534,427 of the total governmental revenues.

Total expenditures for the governmental funds were \$6,167,378. The six main activities that make up these expenditures are public works \$1,292,475, public safety \$2,077,816, culture and recreation \$1,007,852, community and economic development \$237,300, capital projects \$538,163 and debt service \$772,360.

The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,682,953. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 80% of the total general fund expenditures.

The fund balance of the City of Webster City's general fund increased by \$203,634 during the current fiscal year, due primarily to spending less than appropriated.

The Second Street Reconstruction fund continued to have a deficit fund balance at the end of the fiscal year of \$652,624. The deficit fund balance for Second Street Reconstruction decreased by \$37,525. This deficit is due to the advance from the electric utility for the reconstruction of Second Street. Future tax increment receipts will pay the advance.

The debt service fund ended the year with a \$251,267 fund balance. The City intends to reduce this fund balance by reducing future tax levies.

*Proprietary Funds.* The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the electric utility totaled \$16,326,017, the water utility totaled \$10,562,242, and the sewer utility totaled \$5,528,972. The total change in net position for these three funds was \$481,645, \$419,645, and \$357,624 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

### **Governmental and Proprietary Funds Budgetary Highlights**

The City amended their budget one time during fiscal year 2013.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$54,790,136 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, infrastructure.

Major capital assets events during the current fiscal year included the following:

- The completion of various Street Improvement Projects.
- The completion of the majority of the infrastructure for the new well.
- The continuation of the Neal #4 generating plant upgrades.
- The continuation of the conversion of overhead electric to underground.
- The purchase of a new bucket truck at the Line Department.
- The purchase of a new tandem dump truck at the Street Department.
- The runway relocation project at the airport.

	City of Webster City's Capital Assets (Net of Depreciation)							
	Governmental Activities		Business Type Activities		Total		Component Units	
	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013
Land	\$ 4,588,598	\$ 4,588,598	\$ 773,273	\$ 773,273	\$ 5,361,871	\$ 5,361,871	\$ -	\$ -
Structures & Improvements	3,712,076	3,542,794	852,624	1,030,950	4,564,700	4,573,744	31,500	30,660
Improvements Other Than Structures	17,232,645	17,282,229	11,996,060	11,577,735	29,228,705	28,859,964	-	-
Machinery & Equipment	2,435,974	2,388,394	4,783,570	4,660,533	7,219,544	7,048,927	-	-
Construction in Progress	389,909	821,463	1,264,715	8,124,167	1,654,624	8,945,630	-	-
Total	\$ 28,359,202	\$ 28,623,478	\$ 19,670,242	\$ 26,166,658	\$ 48,029,444	\$ 54,790,136	\$ 31,500	\$ 30,660

**Long-term debt.** At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$24,633,843. Of this amount, \$2,445,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding liabilities includes an estimated liability for compensated absences and other post employment benefits. The total estimate for compensated absences is \$487,865 with \$280,054 being for governmental activities and \$207,811 being for business-type activities.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13
General Obligation Bonds	\$ 2,890,000	\$ 2,310,000	\$ 195,000	\$ 135,000	\$ 3,085,000	\$ 2,445,000
Revenue Bonds	2,075,073	2,035,662	20,664,000	20,120,000	22,739,073	22,155,662
Total	\$ 4,965,073	\$ 4,345,662	\$ 20,859,000	\$ 20,255,000	\$ 25,824,073	\$ 24,600,662

The City of Webster City's total long-term liabilities decreased by \$1,205,236 (including notes payable and compensated absences) during the fiscal year.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$16,917,540. With the General Obligation Debt being \$2,445,000 and the Tax Increment Debt being \$2,035,662, the City of Webster City is at 26% of the debt limit.

### **Economic Factors and Next Year's Budgets and Rates**

- The rollback will increase for residential property and go to 54.4002% from 52.8166%. Commercial, Industrial and Railroad will now have a 95% rollback instead of 100%. Agricultural property will be 43.3997% from 59.9334%. Multi-residential property will begin their new classification on January 2, 2015. This class of property will no longer be considered commercial with the rollback being 86.25% the first year. These rollback changes along with the demolition of the City's largest industrial building will impact the general fund in the upcoming years.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa will increase from 30.12% to 30.41% in the next fiscal year.
- City contribution rates for Iowa Public Employees Retirement System of Iowa will remain the same at 8.93% in the regular class and 10.14% in the protection class in the next fiscal year.
- Electric, water and sewer rates were each increased during fiscal year 2012/2013. All rate increases are necessary to maintain the financial stability of the three municipal utilities.
- The local option sales tax money is used by the City for infrastructure improvements. This tax was renewed by voter approval in August, 2011 and will be in effect until June 30, 2022.
- Webster City has a strong industrial base. As a result, the current economic situation continues to create hardships for the citizens of our community. Webster City's largest employer, Electrolux, ceased production at the Webster City plant in March, 2011. The City continues to work hard to bring new businesses and jobs to our community as well as help existing businesses grow and expand. We are seeing positive results from these efforts.
- In spite of the economic difficulties here, the community has many positive things happening also. Van Diest Medical Center completed an expansion, Cropland has doubled in size with the purchase of two new buildings, Van Diest Supply is planning an expansion which will provide more jobs to the residents of Webster City, a new incubator business and co-office space in tandem as well as the hiring of a new Chamber Director with new events in Webster City.

These factors, if known, were considered in doing the City of Webster City 2013/2014 Budget.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Director, 400 Second Street, PO Box 217, Webster City, IA 50595.

CITY OF WEBSTER CITY, IOWA  
STATEMENT OF NET POSITION  
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Webster City Airport Commission	Fuller Trust
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,569,688	\$ 12,963,058	\$ 18,532,746	\$ 170,973	\$ 182,930
Investments	950,000	1,550,000	2,500,000	-	2,797,125
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	71,703	1,247,689	1,319,392	1,113	200
Taxes	35,848	-	35,848	603	-
Subsequent Year Taxes	3,523,713	-	3,523,713	57,651	-
Accrued Interest	4,183	3,714	7,897	-	-
Notes Receivable	143,156	6,279,470	6,422,626	-	-
Internal Balances	(48,008)	48,008	-	-	-
Due from Other Governmental Agencies	190,206	-	190,206	57,683	-
Inventories	178,042	956,373	1,134,415	-	-
Prepaid Assets	134,232	84,299	218,531	-	-
Land Held for Resale	148,056	-	148,056	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	568,647	568,647	-	-
Investments	-	4,791,713	4,791,713	-	-
Accrued Interest Receivable	-	121,741	121,741	-	-
Land	4,588,598	773,273	5,361,871	-	-
Construction in Progress	821,463	8,124,167	8,945,630	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	23,213,417	17,269,218	40,482,635	-	30,660
<b>Total Assets</b>	<b>39,524,297</b>	<b>54,781,370</b>	<b>94,305,667</b>	<b>288,023</b>	<b>3,010,915</b>
<b>Deferred Outflows of Resources</b>					
Unamortized Loss on Refunding	-	5,055	5,055	-	-
<b>LIABILITIES</b>					
Accounts Payable	630,736	1,530,379	2,161,115	39,082	-
Accrued Wages	115,973	2,671	118,644	-	-
Other Accrued Expenses	84,109	3,454	87,563	-	-
Customer Deposits	-	203,194	203,194	-	-
Due to Other Governments	-	-	-	69,440	-
Claims Incurred But Not Reported	6,527	-	6,527	-	-
Compensated Absences and Benefits	-	104,991	104,991	-	-
Accrued Interest Payable	4,883	-	4,883	-	-
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	134,239	134,239	-	-
Revenue Bonds - Current	-	475,250	475,250	-	-
Noncurrent Liabilities:					
Due within one year:					
Revenue Bonds Payable	-	87,750	87,750	-	-
General Obligation Bonds	505,000	65,000	570,000	-	-
Compensated Absences and Benefits	144,866	-	144,866	-	-
Due in more than one year:					
Revenue Bonds Payable	2,035,662	19,572,764	21,608,426	-	-
General Obligation Bonds	1,822,417	70,000	1,892,417	-	-
Other Post Employment Benefits	41,704	16,682	58,386	-	-
Compensated Absences and Benefits	135,188	102,820	238,008	-	-
<b>Total Liabilities</b>	<b>5,527,065</b>	<b>22,369,194</b>	<b>27,896,259</b>	<b>108,522</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Subsequent Year Property Taxes	3,523,713	-	3,523,713	57,651	-
<b>NET POSITION</b>					
Net Investment in Capital Assets	24,260,399	15,692,662	39,953,061	-	30,660
Restricted for:					
Debt Service	246,384	556,149	802,533	-	-
Specific Tax Levies	338,699	-	338,699	-	-
Streets	1,742,348	-	1,742,348	-	-
Endowments:					
Nonexpendable	413,452	-	413,452	-	-
Unrestricted	3,472,237	16,168,420	19,640,657	121,850	2,980,255
<b>Total Net Position</b>	<b>\$ 30,473,519</b>	<b>\$ 32,417,231</b>	<b>\$ 62,890,750</b>	<b>\$ 121,850</b>	<b>\$ 3,010,915</b>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,156,392	\$ 20,578	\$ 33,277	\$ -
Public Works	2,002,776	267,053	783,641	684,046
Health and Social Services	35,499	-	-	-
Culture and Recreation	1,218,869	341,008	22,338	-
Community and Economic Development	237,669	42,070	-	-
General Government	221,755	48,269	100	-
Debt Service	149,951	-	-	-
Total governmental activities	6,022,911	718,978	839,356	684,046
Business-Type Activities:				
Water System	1,479,388	1,912,963	-	144,729
Sewer System	1,340,719	1,797,219	-	42,176
Electric System	10,340,720	11,044,253	-	-
Total Business-Type Activities:	13,160,827	14,754,435	-	186,905
Total Primary Government	\$ 19,183,738	\$ 15,473,413	\$ 839,356	\$ 870,951
Component Unit:				
Webster City Airport Commission	\$ 784,007	\$ 51,707	\$ 50,000	\$ 638,124
Fuller Trust	\$ 473,119	\$ 5,655	\$ 30,487	\$ -

General Revenues:  
Property Taxes  
Local Option Sales Tax  
Hotel/Motel Taxes  
Interest and Investment Gains and Losses  
Gain on Disposition of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net position  
Net Position - beginning  
Prior Period Adjustment  
Net Position - beginning, as restated  
Net Position- ending



Net (Expense) Revenue and Changes in Net Position				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Webster City Airport Commission	Fuller Trust
\$ (2,102,537)		\$ (2,102,537)		
(268,036)		(268,036)		
(35,499)		(35,499)		
(855,523)		(855,523)		
(195,599)		(195,599)		
(173,386)		(173,386)		
(149,951)		(149,951)		
<u>(3,780,531)</u>		<u>(3,780,531)</u>		
	\$ 578,304	578,304		
	498,676	498,676		
	703,533	703,533		
	<u>1,780,513</u>	<u>1,780,513</u>		
<u>(3,780,531)</u>	<u>1,780,513</u>	<u>(2,000,018)</u>		
			\$ (44,176)	\$ (436,977)
3,546,377	-	3,546,377	55,431	-
638,595	-	638,595	-	-
66,231	-	66,231	-	-
23,185	153,294	176,479	-	392,139
4,232	-	4,232	-	-
274,105	-	274,105	4,820	4,415
675,081	(675,081)	-	-	-
<u>5,227,806</u>	<u>(521,787)</u>	<u>4,706,019</u>	<u>60,251</u>	<u>396,554</u>
1,447,275	1,258,726	2,706,001	16,075	(40,423)
29,566,920	31,091,534	60,658,454	105,775	3,051,338
(540,676)	66,971	(473,705)	-	-
<u>29,026,244</u>	<u>31,158,505</u>	<u>60,184,749</u>	<u>105,775</u>	<u>3,051,338</u>
<u>\$ 30,473,519</u>	<u>\$ 32,417,231</u>	<u>\$ 62,890,750</u>	<u>\$ 121,850</u>	<u>\$ 3,010,915</u>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2013**

	General	Second Street Reconstruction	Debt Service Fund
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,586,582	\$ -	\$ 244,393
Investments	650,000	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	71,703	-	-
Taxes	19,609	-	6,874
Subsequent Year Taxes	1,857,778	-	434,011
Accrued Interest	748	-	-
Notes Receivable	-	-	-
Due from Other Funds	657,313	-	-
Due from Other Governmental Agencies	69,440	-	-
Inventories	28,140	-	-
Prepaid Assets	8,866	-	-
Total Assets	<u>4,950,179</u>	<u>-</u>	<u>685,278</u>
<b>Liabilities</b>			
Accounts Payable	142,294	-	-
Accrued Wages	115,586	-	-
Other Accrued Expenses	84,085	-	-
Due to Other Funds	-	652,624	-
Total Liabilities	<u>341,965</u>	<u>652,624</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Subsequent Year Property Taxes	1,857,778	-	434,011
Unavailable Revenue - Other	30,477	-	-
Total Deferred Inflows of Resources	<u>1,888,255</u>	<u>-</u>	<u>434,011</u>
<b>Fund Balances</b>			
Non-Spendable:			
Inventories	28,140	-	-
Prepaid Expenses	8,866	-	-
Permanent Fund	-	-	-
Restricted:			
Specific Tax Levy	-	-	251,267
Streets	-	-	-
Committed:			
Police Activities	-	-	-
Economic Development Activities	-	-	-
Community Development Activities	-	-	-
Assigned:			
Capital Projects	-	-	-
Unassigned	2,682,953	(652,624)	-
Total Fund Balances	<u>2,719,959</u>	<u>(652,624)</u>	<u>251,267</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,950,179</u>	<u>\$ -</u>	<u>\$ 685,278</u>

See Accompanying Notes to Financial Statements

Other Governmental Funds		Total Governmental Funds	
\$	3,398,018	\$	5,228,993
	300,000		950,000
	-		71,703
	9,365		35,848
	1,231,924		3,523,713
	3,435		4,183
	143,156		143,156
	489,512		1,146,825
	120,766		190,206
	149,902		178,042
	-		8,866
	5,846,078		11,481,535
	200,763		343,057
	387		115,973
	24		84,109
	542,209		1,194,833
	743,383		1,737,972
	1,231,924		3,523,713
	143,391		173,868
	1,375,315		3,697,581
	149,902		178,042
	-		8,866
	413,452		413,452
	338,699		589,966
	1,592,446		1,592,446
	4,118		4,118
	1,413,806		1,413,806
	21,061		21,061
	239,945		239,945
	(446,049)		1,584,280
	3,727,380		6,045,982
\$	5,846,078	\$	11,481,535

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 16) \$ 6,045,982

Infrastructure, property, equipment and land held for resale used in governmental activities are not financial resources and, therefore, are not reported in the funds. 28,771,534

Internal service funds are used by management to fund and maintain the City's medical/flex costs provided to user departments and are included in the statement of net position. 4,785

Assets such as notes receivables and property taxes are not available to pay for current period expenditures and therefore are deferred in the funds. 173,868

Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources. 125,366

Accrued interest expense from the balance sheet that require current financial resources from governmental activities. (4,883)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	\$ (2,327,417)	
Revenue Bonds	(2,035,662)	
Compensated Absences	(280,054)	
		(4,643,133)

Total Net Position - Governmental Activities (page 12) \$ 30,473,519

**CITY OF WEBSTER CITY, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	General	Second Street Reconstruction	Debt Service Fund
Revenue:			
Taxes	\$ 1,804,096	\$ -	\$ 651,008
Special Assessments	-	-	1,095
Licenses and Permits	87,847	-	-
Intergovernmental Revenue	112,191	-	-
Charges for Services	469,333	-	-
Fines and Forfeits	7,004	-	-
Contributions	6,967	-	-
Refunds/Reimbursements	43,111	-	121,915
Revenue from Use of Property	147,151	-	-
Interest on Investments	19,065	-	-
Miscellaneous	20,007	-	-
Total Revenue	2,716,772	-	774,018
Expenditures:			
Public Safety	1,493,537	-	-
Public Works	693,146	-	-
Health and Social Services	35,499	-	-
Culture and Recreation	854,668	-	-
Community and Economic Development	75,044	-	-
General Government	181,138	-	-
Capital Projects	-	-	-
Debt Service	-	-	772,360
Total Expenditures	3,333,032	-	772,360
Excess (deficiency) of revenues over expenditures	(616,260)	-	1,658
Other financing sources (uses):			
Proceeds from Sale of Capital Equipment	21,111	-	-
Transfers In	799,411	37,525	-
Transfers Out	(628)	-	-
Total other financing sources (uses)	819,894	37,525	-
Net Change in Fund Balance	203,634	37,525	1,658
Fund balances (Deficits)- beginning of year	2,516,325	(690,149)	249,609
Fund balances (Deficits) - end of year	\$ 2,719,959	\$ (652,624)	\$ 251,267

See Accompanying Notes to Financial Statements

Other Governmental Funds		Total Governmental Funds	
\$	1,090,178	\$	3,545,282
	-		1,095
	-		87,847
	1,422,236		1,534,427
	-		469,333
	-		7,004
	4,401		11,368
	3,223		168,249
	-		147,151
	4,120		23,185
	72,880		92,887
	<u>2,597,038</u>		<u>6,087,828</u>
	584,279		2,077,816
	599,329		1,292,475
	-		35,499
	153,184		1,007,852
	162,256		237,300
	24,775		205,913
	538,163		538,163
	-		772,360
	<u>2,061,986</u>		<u>6,167,378</u>
	<u>535,052</u>		<u>(79,550)</u>
	-		21,111
	659,579		1,496,515
	<u>(820,806)</u>		<u>(821,434)</u>
	<u>(161,227)</u>		<u>696,192</u>
	373,825		616,642
	3,353,555		5,429,340
\$	<u><u>3,727,380</u></u>	\$	<u><u>6,045,982</u></u>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 19)	\$ 616,642
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 493,755	
Contribution & donation of capital assets	684,046	
Depreciation expense	<u>(966,622)</u>	211,179

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or loss on the disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(16,879)
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The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	10,532
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Governmental funds report economic development notes receivable and property taxes as revenue when it becomes available, but the statement of activities includes these assets as revenue when originally issued.	(28,609)
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Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	821
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Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.	(9,080)
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Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities.	41,081
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount by which payments exceeded proceeds in the current year is as follows:

Proceeds from debt issuance	-	
Premium on debt issuance	-	
Repayments of long-term debt	<u>621,588</u>	<u>621,588</u>

Change in net position of governmental activities (page 14)	<u>\$ 1,447,275</u>
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**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Business Type Activities</b>				<b>Governmental Activities</b>
	<b>Water System</b>	<b>Sewer System</b>	<b>Electric System</b>	<b>Total</b>	<b>Internal Service</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 4,553,632	\$ 1,170,402	\$ 7,239,024	\$ 12,963,058	\$ 340,695
Investments	150,000	-	1,400,000	1,550,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	199,267	184,056	864,366	1,247,689	-
Accrued Interest	160	-	3,554	3,714	-
Notes Receivable	-	-	6,279,470	6,279,470	-
Due from Other Funds	-	-	48,008	48,008	-
Inventories	111,660	35,985	808,728	956,373	-
Prepaid Assets	24,689	13,030	46,580	84,299	-
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	227,084	341,563	-	568,647	-
Investments	-	-	4,791,713	4,791,713	-
Accrued Interest Receivable	-	-	121,741	121,741	-
<b>Total Current Assets</b>	<b>5,266,492</b>	<b>1,745,036</b>	<b>21,603,184</b>	<b>28,614,712</b>	<b>340,695</b>
<b>Noncurrent Assets</b>					
Land	348,785	53,553	370,935	773,273	-
Construction in Progress	2,766,477	683	5,357,007	8,124,167	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,708,938	6,049,460	5,510,820	17,269,218	-
<b>Total Noncurrent Assets</b>	<b>8,824,200</b>	<b>6,103,696</b>	<b>11,238,762</b>	<b>26,166,658</b>	<b>-</b>
<b>Total Assets</b>	<b>14,090,692</b>	<b>7,848,732</b>	<b>32,841,946</b>	<b>54,781,370</b>	<b>340,695</b>
<b>Deferred Outflows of Resources</b>					
Unamortized Loss on Refunding	-	5,055	-	5,055	-
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	269,356	132,245	1,128,778	1,530,379	287,679
Accrued Wages	667	588	1,416	2,671	-
Other Accrued Expenses	147	117	3,190	3,454	-
Customer Deposits	-	-	203,194	203,194	-
Claims Incurred But Not Reported	-	-	-	-	6,527
Compensated Absences and Benefits	26,287	21,677	57,027	104,991	-
<b>Payables from Restricted Assets:</b>					
Accrued Revenue Bond Interest	6,185	6,313	121,741	134,239	-
Revenue Bonds - Current	140,000	335,250	-	475,250	-
General Obligation Bonds	65,000	-	-	65,000	-
<b>Total Current Liabilities</b>	<b>507,642</b>	<b>496,190</b>	<b>1,515,346</b>	<b>2,519,178</b>	<b>294,206</b>
<b>Noncurrent Liabilities:</b>					
Due within one year:					
Revenue Bonds Payable	-	87,750	-	87,750	-
Due in more than one year:					
Revenue Bonds Payable	2,925,000	1,717,000	14,930,764	19,572,764	-
General Obligation Bonds	70,000	-	-	70,000	-
Other Post Employment Benefits	3,210	3,414	10,058	16,682	41,704
Compensated Absences and Benefits	22,598	20,461	59,761	102,820	-
<b>Total Noncurrent Liabilities</b>	<b>3,020,808</b>	<b>1,828,625</b>	<b>15,000,583</b>	<b>19,850,016</b>	<b>41,704</b>
<b>Total Liabilities</b>	<b>3,528,450</b>	<b>2,324,815</b>	<b>16,515,929</b>	<b>22,369,194</b>	<b>335,910</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	5,624,200	3,968,751	6,099,711	15,692,662	-
<b>Restricted for:</b>					
Debt Service	220,899	335,250	-	556,149	-
Endowments	-	-	-	-	-
Unrestricted	4,717,143	1,224,971	10,226,306	16,168,420	4,785
<b>Total Net Position</b>	<b>\$10,562,242</b>	<b>\$5,528,972</b>	<b>\$16,326,017</b>	<b>\$32,417,231</b>	<b>\$ 4,785</b>

See Accompanying Notes to Financial Statements



**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,909,247	\$ 1,791,242
Miscellaneous	3,716	5,977
<b>Total Operating Revenue</b>	<u>1,912,963</u>	<u>1,797,219</u>
<b>Operating Expenses:</b>		
General Government		
Operating and Maintenance	1,213,069	954,058
Depreciation	182,669	299,355
<b>Total Operating Expenses</b>	<u>1,395,738</u>	<u>1,253,413</u>
<b>Operating Income (Loss)</b>	517,225	543,806
<b>Non-Operating Income (Expense):</b>		
Interest Income	184	59
(Loss) on Disposition of Property	(678)	
Interest Expense	(82,972)	(87,306)
<b>Total Non-Operating Income (Expenses)</b>	<u>(83,466)</u>	<u>(87,247)</u>
<b>Income (Loss) before Contributions and Transfers</b>	433,759	456,559
<b>Other Financing Sources (Uses)</b>		
Contributed Capital Revenue	144,729	42,176
Transfers In		
Transfers (Out)	(96,843)	(79,278)
<b>Total Other Financing Sources (Uses)</b>	<u>47,886</u>	<u>(37,102)</u>
<b>Change in Net Position</b>	481,645	419,457
Net Position (Deficit)- Beginning	10,163,451	5,137,488
Prior Period Adjustment	(82,854)	(27,973)
Net Position (Deficit) - Beginning, as Restated	<u>10,080,597</u>	<u>5,109,515</u>
<b>Net Postion - Ending</b>	<u>\$ 10,562,242</u>	<u>\$ 5,528,972</u>

Business Type Activities		Governmental Activities
Electric System	Total	Internal Service
\$ 10,193,983	\$ 13,894,472	
850,270	859,963	
	-	47,608
11,044,253	14,754,435	47,608
	-	6,527
9,292,392	11,459,519	
329,295	811,319	
9,621,687	12,270,838	6,527
1,422,566	2,483,597	41,081
153,051	153,294	-
	(678)	-
(719,033)	(889,311)	-
(565,982)	(736,695)	-
856,584	1,746,902	41,081
-	186,905	-
65,176	65,176	-
(564,136)	(740,257)	-
(498,960)	(488,176)	-
357,624	1,258,726	41,081
15,790,595	31,091,534	(36,296)
177,798	66,971	-
15,968,393	31,158,505	(36,296)
\$ 16,326,017	\$ 32,417,231	\$ 4,785

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,906,871	\$ 1,778,153
Cash Paid to Suppliers for Goods and Services	(806,811)	(511,930)
Cash Paid to Employees for Services	(452,212)	(372,947)
Net Cash Provided by Operating Activities	<u>647,848</u>	<u>893,276</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(2,430,344)	(27,570)
Proceeds from Sale of Capital Assets	604	183
Principal Paid on Notes and Bonds	(195,000)	(409,000)
Interest Paid on Notes and Bonds	(80,585)	(82,840)
Net Cash (Used) for Capital and Related Financing Activities	<u>(2,705,325)</u>	<u>(519,227)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers to Other Funds	(96,843)	(79,278)
Transfers from Other Funds	-	-
Due From (To) Other Funds	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(96,843)</u>	<u>(79,278)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Investments	100,000	35,000
Interest and Dividends on Investments	201	59
Net Cash Provided for Investing Activities	<u>100,201</u>	<u>35,059</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,054,119)	329,830
Cash and Cash Equivalents at Beginning of Year	<u>6,834,835</u>	<u>1,182,135</u>
Cash and Cash Equivalents at End of Year	<u><u>4,780,716</u></u>	<u><u>1,511,965</u></u>
Cash and Cash Equivalents:		
Unrestricted	4,553,632	1,170,402
Restricted	227,084	341,563
	<u><u>\$ 4,780,716</u></u>	<u><u>\$ 1,511,965</u></u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Electric System	Total	Activities Internal Service
\$ 10,951,088	\$ 14,636,112	\$ 220,842
(8,605,154)	(9,923,895)	(8,245)
(968,259)	(1,793,418)	
<u>1,377,675</u>	<u>2,918,799</u>	<u>212,597</u>
(4,137,065)	(6,594,979)	-
-	787	-
-	(604,000)	-
(708,774)	(872,199)	-
<u>(4,845,839)</u>	<u>(8,070,391)</u>	<u>-</u>
(564,136)	(740,257)	-
65,176	65,176	-
706,362	706,362	-
<u>207,402</u>	<u>31,281</u>	<u>-</u>
5,699,846	5,834,846	-
<u>140,468</u>	<u>140,728</u>	<u>-</u>
5,840,314	5,975,574	-
2,579,552	855,263	212,597
<u>4,659,472</u>	<u>12,676,442</u>	<u>128,098</u>
<u>7,239,024</u>	<u>13,531,705</u>	<u>340,695</u>
7,239,024	12,963,058	340,695
-	568,647	
<u>\$ 7,239,024</u>	<u>\$ 13,531,705</u>	<u>\$ 340,695</u>

(Continued)

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income	<u>\$ 517,225</u>	<u>\$ 543,806</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	182,669	299,355
(Increase) Decrease in Assets:		
Accounts Receivable	(6,092)	(19,066)
Prepaid Expenses	-	-
Inventories	(18,648)	(10,794)
Increase (Decrease) in Liabilities		
Accounts Payable	(10,919)	92,830
Accrued Wages	(16,606)	(13,047)
Other Accruals	(531)	(418)
Accrued Compensated Absences	750	610
Customer Deposits	-	-
Claims Incurred But Not Reported	-	-
Total Adjustments	<u>130,623</u>	<u>349,470</u>
Net Cash Provided by Operating Activities	<u><u>\$ 647,848</u></u>	<u><u>\$ 893,276</u></u>

Business Type Activities		Governmental
Electric		Activities
Utility	Total	Internal
		Service
<hr/>		
\$ 1,422,566	\$ 2,483,597	\$ 41,081
<hr/>		
329,295	811,319	-
(115,650)	(140,808)	-
(3,000)	(3,000)	-
(67,948)	(97,390)	-
(186,429)	(104,518)	173,234
(30,832)	(60,485)	-
(547)	(1,496)	-
7,735	9,095	-
22,485	22,485	-
-	-	(1,718)
(44,891)	435,202	171,516
\$ 1,377,675	\$ 2,918,799	\$ 212,597
<hr/>		

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**COMBINED STATEMENT OF FIDUCIARY NET POSTION**  
**Fiduciary Funds**  
**June 30, 2013**

	<b>Totals</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 15,496</u>
<b>Total Assets</b>	<u>15,496</u>
<b>NET POSITION</b>	
Unrestricted	15,496
<b>Total Net Position</b>	<u><u>\$ 15,496</u></u>

CITY OF WEBSTER CITY, IOWA  
 COMBINED STATEMENT OF CHANGES IN NET POSITION  
 Fiduciary Funds  
 For the Year Ended June 30, 2013

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	<b>Totals</b>
<b>Additions</b>	
Miscellaneous	\$ 105,737
<b>Deductions</b>	
Culture and Recreation	104,067
Changes in Net Assets	<u>1,670</u>
Net Position Beginning of Year	<u>13,826</u>
Net Position End of Year	<u><u>\$ 15,496</u></u>



CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Webster City, Iowa is a political subdivision of the State of Iowa located in Hamilton County, and was incorporated in 1874, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government with the council members elected on a non-partisan basis and administers the following functions as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water, sewer, and electric utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Webster City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Webster City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Units**

*Webster City Airport Commission*

The government-wide financial statements include the Webster City Airport Commission ("airport commission") as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City City Council. Iowa Statutes provide for circumstances whereby the City can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the City. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2013. Separate financial statements are not issued for the Webster City Airport Commission.

*Fuller Trust*

The government-wide financial statements include the Fuller Trust as a component unit.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public and can provide a financial benefit or burden to the City. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2013. Separate financial statements are not issued for the Fuller Trust.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Hamilton County Assessors' Conference Board, Hamilton County Emergency Management Commission, and Hamilton County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues, and other nonexchange revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's Medical/Flex internal service fund is also classified as a governmental-type activity.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Capital Project Fund  
Second Street Reconstruction – accounts for resources and expenditures related to the Second Street reconstruction project.
- 3) Debt Service Fund - Accounts for the accumulation of resources for and the payment of general obligation debt principal, interest and related costs.

The City reports the following major proprietary (enterprise) funds:

The Water Utility is used to account for the operation and maintenance of the City's water system.

The Sewer Utility is used to account for the operation and maintenance of the City's sewer system.

The Electric Utility is used to account for the operation and maintenance of the City owned electric system.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust  
Edgar Foster Trust  
Calvary Cemetery Trust

Zella Silvers Trust  
Mulberry Church Trust

Agency funds are used to account for activity of other organizations where the City is responsible for the accounting.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds, including the airport discretely presented component unit, are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

**Custodial Credit Risk** – the City has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the City's investments to this risk, is as follows:

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Type of Investment	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Certificates of Deposit	\$ 2,500,000	\$ 2,500,000
U. S. Government Issues	\$ 4,791,713	\$ 4,791,713

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2012. Any county collections on the 2012-2013 tax levy remitted to the City within 60 days subsequent to June 30, 2013, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable in the Enterprise Funds includes services billed prior to June 30, 2013 and an estimate of services provided through June 30, 2013 but not billed.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2013, balances of interfund amounts payable or receivable have been recorded as “due to other funds” and “due from other funds”, respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 for general capital assets and \$25,000 for infrastructure assets and estimated useful lives in excess of one year. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 150 Years
Utility Plant	25 – 90 Years
Machinery & Equipment	3 - 30 Years
Infrastructure	20– 100 Years
Land Improvements	50– 100 Years

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports loss on refunding bonds as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, other taxes and other income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund balances for each of the City's governmental funds (general fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.



CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Business-type Activities function.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2013, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2013, are shown below:

	Primary Government	Fiduciary Funds	Webster City Airport Commission Component Unit	Fuller Trust Component Unit	Fair Value
Demand Deposits	\$ 18,529,530	\$ 15,496	\$ 170,973	\$ 182,930	\$18,898,929
Cash on Hand	1,000	-	-	-	1,000
Time Deposits	2,500,000	-	-	-	2,500,000
	<u>\$ 21,030,530</u>	<u>\$ 15,496</u>	<u>\$ 170,973</u>	<u>\$ 182,930</u>	<u>\$21,399,929</u>

**Fuller Trust – Discretely Presented Component Unit:**

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fuller Trust funds do not have custodial credit risk policies for investments.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)**

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fuller Trust does not have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Fuller Trust's investments to this risk is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		Less Than 1 Year	1 – 5 Years	5 or More Years
Mutual Funds	\$ 2,175,564	\$ 2,175,564	\$ -	\$ -
Preferred Stocks	100,640	100,640	-	-
U.S. Gov't. Agencies	24,731	-	-	24,731
Corporate Bonds	496,190	191,148	305,042	-
	<u>\$ 2,797,125</u>	<u>\$ 2,467,352</u>	<u>\$305,042</u>	<u>\$ 24,731</u>

**Note 3 - RECEIVABLES**

Receivables at June 30, 2013 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$92,231 at June 30, 2013.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as committed fund balance in the fund financial statements.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2013, amounts due from other governments were as follows:

Due from the Iowa Department of Revenue for Road Use Tax allocation	\$ 66,088
Due from the Webster City Airport Commission	69,440
Due from the Iowa Department of Revenue for Local Option Sales taxes	<u>54,678</u>
Total Governmental Funds	<u>\$ 190,206</u>

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2013, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Second Street Reconstruction	\$ 652,624
General Fund	Non-Major Governmental	40,399
Non-Major Governmental	General Fund	35,710
Electric	Non-Major Governmental	48,008
Non-Major Governmental	Non-Major Governmental	453,802
		<u>\$ 1,230,543</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Prior Period Adjustment</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land	\$ 3,801,799	\$ -	\$ -	\$ -	\$ 3,801,799
Right of way	786,799	-	-	-	786,799
Construction in progress	389,909	1,035,448	603,894	-	821,463
Total capital assets not being depreciated	4,978,507	1,035,448	603,894	-	5,410,061
Capital assets being depreciated:					
Land improvements	2,082,426	151,555	-	-	2,233,981
Structures and improvements	6,924,179	-	9,550	-	6,914,629
Machinery and equipment	4,277,842	142,351	179,487	232,818	4,473,524
Streets	22,036,291	331,381	-	-	22,367,672
Trails and paths	1,913,927	-	-	-	1,913,927
Sidewalks	479,152	42,176	-	-	521,328
Storm sewers	1,010,771	78,783	-	-	1,089,554
Bridges	2,111,463	-	-	-	2,111,463
Dam	200,000	-	-	-	200,000
Traffic signals	183,657	-	-	-	183,657
Total capital assets being depreciated	41,219,708	746,246	189,037	232,818	42,009,735
Less: Accumulated depreciation for					
Land improvements	311,199	42,537	-	-	353,736
Structures and improvements	3,212,103	167,510	7,778	-	3,371,835
Machinery and equipment	1,841,868	244,801	164,770	163,231	2,085,130
Streets	10,300,208	414,614	-	-	10,714,822
Trails and paths	167,567	38,279	-	-	205,846
Sidewalks	227,500	5,094	-	-	232,594
Storm sewers	502,008	11,621	-	-	513,629
Bridges	1,065,007	28,153	-	-	1,093,160
Dam	86,667	6,667	-	-	93,334
Traffic signals	124,886	7,346	-	-	132,232
Total Accumulated Depreciation	17,839,013	966,622	172,548	163,231	18,796,318
Capital Assets, Net of Depreciation	23,380,695	(220,376)	(16,489)	69,587	23,213,417
Governmental activities capital assets, net	\$ 28,359,202	\$ 815,072	\$ 620,383	\$ 69,587	\$ 28,623,478

Construction in progress is related to street projects and airport improvements.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 6 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 20,989
Public Safety	128,539
Public Works, which includes the depreciation of infrastructure	603,409
Culture and Recreation	213,685
	<u>966,622</u>
Total governmental activities - depreciation expense	<u>\$ 966,622</u>

	Beginning Balance	Additions	Deletions	Prior Period Adjustment	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 773,273	\$ -	\$ -	\$ -	\$ 773,273
Construction in Progress	1,264,715	7,046,357	186,905	-	8,124,167
Total capital assets not being depreciated	<u>2,037,988</u>	<u>7,046,357</u>	<u>186,905</u>	<u>-</u>	<u>8,897,440</u>
Capital assets being depreciated:					
Buildings and improvements	3,530,905	-	-	-	3,530,905
Machinery and equipment	5,758,904	287,047	169,642	12,857	5,889,166
Utility Plant	48,396,187	186,905	-	-	48,583,092
Total capital assets being depreciated	<u>57,685,996</u>	<u>473,952</u>	<u>169,642</u>	<u>12,857</u>	<u>58,003,163</u>
Less: Accumulated Depreciation	40,053,742	811,319	143,127	12,011	40,733,945
Total capital assets being depreciated, net	<u>17,632,254</u>	<u>(337,367)</u>	<u>(26,515)</u>	<u>846</u>	<u>17,269,218</u>
Business-type activities capital assets, net	<u>\$19,670,242</u>	<u>\$ 6,708,990</u>	<u>\$ 213,420</u>	<u>\$ 846</u>	<u>\$26,166,658</u>

Construction in progress at June 30, 2013 consisted of costs associated with the water, wastewater, electric system, and Neal #4 generating station improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Water	\$ 182,669
Sewer	299,355
Electric	329,295
	<u>811,319</u>
Total depreciation expense – business-type activities	<u>\$ 811,319</u>

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

**Note 6 - CAPITAL ASSETS – (Continued)**

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Component Unit:</b>				
Capital assets being depreciated:				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Total capital assets being depreciated	42,000	-	-	42,000
Less: Accumulated Depreciation	10,500	840	-	11,340
Total capital assets being depreciated, net	\$ 31,500	\$ (840)	\$ -	\$ 30,660

**Reconciliation of Net Investment in Capital Assets:**

	Governmental Activities	Business-Type Activities	Fuller Trust Component Unit
Land	\$ 4,588,598	\$ 773,273	\$ -
Construction in Progress	821,463	8,124,167	-
Capital Assets (net of accumulated depreciation)	23,213,417	17,269,218	30,660
Unamortized Loss on Refunding	-	5,055	-
Less: General Obligation Bonds Payable	(2,327,417)	(135,000)	-
Revenue Bonds	(2,035,662)	(10,760,530)	-
Net Investment in Capital Assets	\$ 24,260,399	\$ 15,276,183	\$ 30,660

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 7 - LONG-TERM DEBT (Continued)**

General obligation bonds outstanding as of June 30, 2013 are as follows:

	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>Balance 6/30/13</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>						
General Obligation Debt						
Corporate purpose bonds	11/01/11	06/01/18	1.75%	\$ 645,000	\$ 480,000	\$ 90,000
Corporate purpose bonds	03/01/06	06/01/16	3.25 – 3.95%	1,280,000	445,000	145,000
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	1,330,000	465,000	145,000
Corporate purpose bonds	11/01/10	06/01/20	2.00 – 2.90%	1,290,000	920,000	125,000
Total Governmental Activities – General Obligation Debt					<u>\$ 2,310,000</u>	<u>\$ 505,000</u>
<b>Business-Type Activities</b>						
General Obligation Debt						
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	\$ 365,000	<u>\$ 135,000</u>	<u>\$ 65,000</u>

The balances shown on the Statement of Net Position is net of unamortized bond premiums of \$17,417.

**Advance Refunding**

On November 1, 2008, the City issued \$1,695,000 of General Obligation Bonds, Series 2009, with an average interest rate of 2.125%. The bonds consist of serial bonds bearing various fixed rates ranging from 1.2% to 3.05% with annual maturities from June 2010 through June 2017. The net proceeds of \$1,655,275 (after issuance costs of \$39,725) were used to advance refund various series of bonds with a total principal amount of \$1,695,000 and an average interest rate of 4.02%. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$101,000.

On November 1, 2011, the City issued \$645,000 of General Obligation Bonds, Series 2011A, with an interest rate of 1.75%. The bonds consist of serial bonds with annual maturities from June 2012 through June 2018. The net proceeds of \$628,270 were used to advance refund Series 2003A General Obligation Bond with a total principal amount of \$625,000 and an average interest rate of approximately 3%. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$33,000.

Debt service requirements to maturity are as follows:

<b>Years</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 505,000	\$ 58,597	\$ 65,000	\$ 5,016
2015	510,000	45,280	70,000	3,531
2016	460,000	33,295	-	-
2017	320,000	20,407	-	-
2018	240,000	12,985	-	-
2019-2020	275,000	11,833	-	-
Total	<u>\$ 2,310,000</u>	<u>\$ 182,397</u>	<u>\$ 135,000</u>	<u>\$ 8,547</u>

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 7 - LONG-TERM DEBT (Continued)**

**Revenue Bonds**

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities.

Revenue bonds outstanding at June 30, 2013 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/13	Due Within One Year
<b>Governmental Activities</b>						
Revenue Debt:						
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	\$ 2,035,662	\$ -
<b>Business-Type Activities</b>						
Revenue Debt:						
<u>Sewer Utility</u>						
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	1,715,000	218,000
Revenue bonds	01/10/06	06/01/15	3.30 – 4.10%	1,815,000	425,800	205,000
Total Sewer Utility					2,140,000	423,000
<u>Water Utility</u>						
Revenue Bonds	06/01/12	06/01/32	0.60 – 3.25%	3,200,000	3,065,000	140,000
<u>Electric Utility</u>						
Revenue Bonds	05/01/12	11/01/37	2.25 – 5.65%	\$ 14,915,000	14,915,000	-
Total Business Type Activities					\$20,120,000	\$ 563,000

The balances shown on the Statement of Net Position is net of unamortized premiums of \$15,764.

Debt service requirements to maturity are as follows:

<b>Business-type Activities Revenue Debt</b>			
<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 563,000	\$ 868,322	\$ 1,431,322
2015	996,000	852,742	1,848,742
2016	795,000	826,457	1,621,457
2017	814,000	808,697	1,622,697
2018	839,000	789,883	1,628,883
2019-2023	3,703,000	3,595,369	7,298,369
2024-2028	3,835,000	2,912,898	6,747,898
2029-2033	4,620,000	1,912,557	6,532,557
2034-3037	3,955,000	607,375	4,562,375
	<u>\$20,120,000</u>	<u>\$13,174,300</u>	<u>\$33,294,300</u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2013.



**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2013**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation	\$ 2,890,000	\$ -	\$ 580,000	\$ 2,310,000	\$ 505,000
Revenue Bonds	2,075,073	-	39,411	2,035,662	-
Compensated Absences	270,974	280,054	270,974	280,054	144,866
Other Post Employment Benefits	41,704	-	-	41,704	-
Governmental Activity Long-Term Liabilities	<u>\$ 5,277,751</u>	<u>\$ 280,054</u>	<u>\$ 890,385</u>	<u>\$ 4,667,420</u>	<u>\$ 649,866</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General Obligation	\$ 195,000	\$ -	\$ 60,000	\$ 135,000	\$ 65,000
Revenue Bonds	20,664,000	-	544,000	20,120,000	563,000
Compensated Absences	198,716	207,811	198,716	207,811	104,991
Other Post Employment Benefits	16,682	-	-	16,682	-
Business-Type Activity Long-Term Liabilities	<u>\$21,074,398</u>	<u>\$ 207,811</u>	<u>\$ 802,716</u>	<u>\$ 20,479,493</u>	<u>\$ 732,991</u>

**Note 8 -     TRANSFERS**

The following is a summary of transfers between funds:

	General	2 <sup>nd</sup> Street Reconstruction	Electric	Non Major Governmental	Total Transfer Out
Electric	\$ 564,136	\$ -	\$ -	\$ -	\$ 564,136
Water	96,843	-	-	-	96,843
Sewer	79,278	-	-	-	79,278
General	-	-	-	628	628
Non-Major	59,154	37,525	65,176	658,951	820,806
Total Transfer In	<u>\$ 799,411</u>	<u>\$ 37,525</u>	<u>\$ 65,176</u>	<u>\$ 659,579</u>	<u>\$ 1,561,691</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 9- PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered payroll except for, fire employees, in which case, the percentages are actuarially determined, and police employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$220,572, \$203,954, and \$179,764, respectively, equal to the required contributions for each year.

**Municipal Fire and Police Retirement System of Iowa** - The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 7155 Lake Drive, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate cannot be less than 26.12% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2013, 2012 and 2011 were \$207,316, \$193,690, and \$159,162, respectively, which met the required minimum contribution for each year.

**Employee Vision and Dental Plan** - The City of Webster City Medical/Flex Insurance Fund was established to account for the City's medical and flex benefit plan. The City has entered into an administrative services agreements with Employee Benefits System, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Wellmark Blue Cross and Blue Shield from the Internal Service Fund, Medical/Flex Insurance Account.

For vision claims, the claims are limited to specified services outlined in the vision plan and the uninsured risk of loss is minimal per employee. For dental claims, the uninsured risk of loss is \$1,000 for a policy year per employee. The City has not purchased additional commercial insurance since claims are limited to the amounts specified in the plan.

All funds of the City participate in the vision and dental plan. Amounts payable to the medical/flex insurance fund are based on actual claims incurred in prior years.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

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**Note 9- PENSION AND RETIREMENT (Continued)**

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

***Claims Liability***

	<u>Current Year</u>	<u>Prior Year</u>
Unpaid claims, beginning of fiscal year	\$ 8,245	\$ 2,275
Current year claims and changes in estimates	138,986	54,367
Claim payments	(140,704)	(48,397)
Unpaid claims, end of fiscal year	<u>\$ 6,527</u>	<u>\$ 8,245</u>

**Note 10 - DEFICIT FUND EQUITY**

The City has five funds with deficit equity balances at June 30, 2013. The City intends to finance these deficits from various resources including; TIF Receipts, fund transfers, and note payments.

The individual fund deficits were as follows:

Second Street Reconstruction .....	\$ 652,624
Nonmajor – Police/Fire Retirement .....	21,948
Nonmajor – Urban Renewal Southeast TIF .....	25,938
Nonmajor – Urban Renewal Southwest TIF .....	398,008
Nonmajor – City Hall Plaza .....	155

**Note 11- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**Note 12- COMMITMENTS**

During the year ended June 30, 2013, the City had entered into several construction contracts totaling approximately \$13,367,000 of which approximately \$9,250,000 has been expended to date. The remaining balance will be paid as work progresses.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2013**

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**Note 13 -     CONTINGENCY**

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the City. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the City agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1, and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the City, but shall be paid solely and only from incremental property taxes received by the City from the Hamilton County Treasurer which are attributable to each individual project.

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the City of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the City, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

**Note 14 -     OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark Blue Cross and Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,260
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	14,260
Contributions made	14,260
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	58,386
Net OPEB obligation end of year	\$ 58,386

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 14,709	0%	\$ 14,709
June 30, 2010	\$ 14,709	0%	\$ 29,418
June 30, 2011	\$ 14,708	0%	\$ 44,126
June 30, 2012	\$ 14,260	0%	\$ 58,386
June 30, 2013	\$ -	0%	\$ 58,386

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$144,336, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$144,336. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,530,000 and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2013, there were no trust fund assets.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2013

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This is a pay as you go plan implemented this year therefore there is no schedule of funding progress presented.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

**Note 15 - PRIOR PERIOD ADJUSTMENT**

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board Statement No. 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. In addition property, plant and equipment was identified that was not previously accounted for and a note receivable was reclassified to the proper fund. A summary of the changes is as follows:

	<b>Governmental Activities</b>	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>
Write off of Bond Issue Costs	\$ (111,074)	\$ (311,672)	\$(83,427)	\$(28,246)
Unrecorded Property, Plant and Equipment, Net of Accumulated Depreciation	69,587	-	573	273
Note Receivable Reclassification	(489,470)	489,470	-	-
Other Reconciling Items	(9,719)	-	-	-
Change in Beginning, Net Position	<u>\$ (540,676)</u>	<u>\$ 177,798</u>	<u>\$(82,854)</u>	<u>\$(27,973)</u>

**CITY OF WEBSTER CITY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**

**Governmental Funds and Proprietary Funds**

**For the Year Ended June 30, 2013**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>
Receipts:		
Taxes	\$ 3,549,380	\$ -
Special Assessments	1,095	-
Licenses and Permits	87,847	-
Intergovernmental Revenue	2,247,953	-
Charges for Services	472,953	14,636,112
Revenue from Use of Property	231,813	-
Interest on Investments		140,728
Miscellaneous	277,358	707,149
Total receipts	<u>6,868,399</u>	<u>15,483,989</u>
Disbursements:		
Public Safety	2,013,665	-
Public Works	1,846,273	-
Health and Social Services	27,500	-
Culture and Recreation	1,006,628	-
Community and Economic Development	323,048	-
General Government	212,608	-
Capital Projects	755,357	-
Debt Service	772,360	-
Business-Type Activities		19,788,491
Total disbursements	<u>6,957,439</u>	<u>19,788,491</u>
Excess (deficiency) of receipts over disbursements	<u>(89,040)</u>	<u>(4,304,502)</u>
Other financing sources (uses):		
Proceeds from Debt Issuance	-	-
Transfers In	1,496,515	65,176
Transfers Out	(821,434)	(740,257)
Total other financing sources (uses)	<u>675,081</u>	<u>(675,081)</u>
Net Change in Balances	586,041	(4,979,583)
Balances - beginning of year	5,728,205	24,853,001
Balances - end of year	<u>\$ 6,314,246</u>	<u>\$ 19,873,418</u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,549,380	\$ 3,552,000	\$ 3,552,000	\$ (2,620)
1,095	1,500	1,500	(405)
87,847	108,837	108,837	(20,990)
2,247,953	2,064,161	2,049,988	197,965
15,109,065	17,652,739	14,686,116	422,949
231,813	370,086	370,086	(138,273)
140,728	-	-	140,728
984,507	357,610	357,610	626,897
<u>22,352,388</u>	<u>24,106,933</u>	<u>21,126,137</u>	<u>1,226,251</u>
2,013,665	2,158,292	2,158,292	144,627
1,846,273	2,056,337	2,056,337	210,064
27,500	64,760	64,760	37,260
1,006,628	1,060,918	1,060,918	54,290
323,048	355,463	355,463	32,415
212,608	327,514	327,514	114,906
755,357	833,213	833,213	77,856
772,360	845,782	845,782	73,422
19,788,491	18,787,908	15,476,455	(4,312,036)
<u>26,745,930</u>	<u>26,490,187</u>	<u>23,178,734</u>	<u>(3,567,196)</u>
<u>(4,393,542)</u>	<u>(2,383,254)</u>	<u>(2,052,597)</u>	<u>(2,340,945)</u>
-	2,755,170	-	-
1,561,691	4,760,900	4,475,238	(2,913,547)
<u>(1,561,691)</u>	<u>(4,760,900)</u>	<u>(4,475,238)</u>	<u>2,913,547</u>
<u>-</u>	<u>2,755,170</u>	<u>-</u>	<u>-</u>
(4,393,542)	371,916	(2,052,597)	(2,340,945)
30,581,206	30,581,206	30,581,206	-
<u>\$ 26,187,664</u>	<u>\$ 30,953,122</u>	<u>\$28,528,609</u>	<u>\$ (2,340,945)</u>



**CITY OF WEBSTER CITY, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**For the Year Ended June 30, 2013**

	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified/Full Accrual Basis</b>
Revenue:			
Taxes	\$ 3,549,380	\$ (4,098)	\$ 3,545,282
Special Assessments	1,095	-	1,095
Licenses and Permits	87,847	-	87,847
Intergovernmental Revenue	2,247,953	(713,526)	1,534,427
Charges for Services	15,109,065	114,703	15,223,768
Fines and Forfeits	-	7,004	7,004
Contributions	-	11,368	11,368
Refunds/Reimbursements	-	168,249	168,249
Revenue from Use of Property	231,813	(84,662)	147,151
Interest on Investments	140,728	35,751	176,479
Miscellaneous	984,507	(683,604)	300,903
Total Revenue	<u>22,352,388</u>	<u>(1,148,815)</u>	<u>21,203,573</u>
Expenditures/Expenses:			
Public Safety	2,013,665	64,151	2,077,816
Public Works	1,846,273	(553,798)	1,292,475
Health and Social Services	27,500	7,999	35,499
Culture and Recreation	1,006,628	1,224	1,007,852
Community and Economic Development	323,048	(85,748)	237,300
General Government	212,608	(6,695)	205,913
Capital Projects	755,357	(217,194)	538,163
Debt Service	772,360	-	772,360
Business-Type Activities	19,788,491	(6,627,664)	13,160,827
Total Expenditures/Expenses	<u>26,745,930</u>	<u>(7,417,725)</u>	<u>19,328,205</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(4,393,542)</u>	<u>6,268,910</u>	<u>1,875,368</u>
Other financing sources (uses):			
Transfers In	1,561,691	-	1,561,691
Transfers Out	<u>(1,561,691)</u>	<u>-</u>	<u>(1,561,691)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	<u>(4,393,542)</u>	<u>6,268,910</u>	<u>1,875,368</u>
Fund Balance/Retained Earnings - beginning of year	30,581,206	5,939,668	36,520,874
Prior Period Adjustment	<u>-</u>	<u>66,971</u>	<u>66,971</u>
Fund Balance/Retained Earnings - beginning of year, as Restated	<u>30,581,206</u>	<u>6,006,639</u>	<u>36,587,845</u>
Fund Balance/Retained Earnings - end of year	<u>\$ 26,187,664</u>	<u>\$ 12,275,549</u>	<u>\$ 38,463,213</u>

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2013**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. The budget was amended once during the year.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the fiscal year ended June 30, 2013, disbursements exceeded the amounts budgeted in the business-type activities function.

CITY OF WEBSTER CITY, IOWA  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Approximate Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$3,367,000	4.6%
July 1, 2012	-	\$ 144,336	\$ 144,336	0.00%	\$2,530,000	5.7%
July 1, 2013	-	\$ 144,336	\$ 144,336	0.00%	\$2,530,000	5.7%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF WEBSTER CITY, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
June 30, 2013

	Special Revenue Funds				
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance	Unemployment Compensation	Road Use Tax
<b>Assets</b>					
Cash and Cash Equivalents	\$ 111,414	\$ 3,487	\$ 80,228	\$ 22,200	\$ 985,877
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	1,437	1,252	4,057	13	-
Subsequent Year Taxes	147,912	132,211	426,686	1,240	-
Accrued Interest	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Funds	-	176	920	42	35,710
Due from Other Governmental Agencies	-	-	-	-	66,088
Inventories	-	-	-	-	149,902
<b>Total Assets</b>	<b>260,763</b>	<b>137,126</b>	<b>511,891</b>	<b>23,495</b>	<b>1,237,577</b>
<b>Liabilities</b>					
Accounts Payable	-	-	-	-	99,806
Accrued Wages	-	-	-	-	387
Other Accrued Expenses	-	-	-	-	24
Due to Other Funds	1,515	-	-	-	-
<b>Total Liabilities</b>	<b>1,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,217</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Subsequent Year Property Taxes	147,912	132,211	426,686	1,240	-
Unavailable Revenue - Other	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>147,912</b>	<b>132,211</b>	<b>426,686</b>	<b>1,240</b>	<b>-</b>
<b>Fund Balances</b>					
Non-Spendable:					
Inventories	-	-	-	-	149,902
Permanent Fund	-	-	-	-	-
Restricted:					
Specific Tax Levy	111,336	4,915	85,205	22,255	-
Streets	-	-	-	-	987,458
Committed:					
Police Activities	-	-	-	-	-
Economic Development Activities	-	-	-	-	-
Community Development Activities	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>111,336</b>	<b>4,915</b>	<b>85,205</b>	<b>22,255</b>	<b>1,137,360</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 260,763</b>	<b>\$ 137,126</b>	<b>\$ 511,891</b>	<b>\$ 23,495</b>	<b>\$ 1,237,577</b>

Special Revenue Funds								
Police/Fire Retirement	DARE	Seized Property	Police Reserve Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	
\$ 15,722	\$ -	\$ 1,201	\$ 2,917	\$ 906,895	\$ 104,290	\$ -	\$ -	
-	-	-	-	300,000	-	-	-	
2,516	-	-	-	-	-	-	84	
265,869	-	-	-	-	-	17,660	12,587	
-	-	-	-	984	332	-	-	
-	-	-	-	95,894	47,262	-	-	
376	-	-	-	101,376	912	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
284,483	-	1,201	2,917	1,405,149	152,796	17,660	12,671	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
40,398	-	-	-	912	-	-	-	
40,398	-	-	-	912	-	-	-	
265,869	-	-	-	-	-	17,660	12,587	
164	-	-	-	95,965	47,262	-	-	
266,033	-	-	-	95,965	47,262	17,660	12,587	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	84	
-	-	-	-	-	-	-	-	
-	-	1,201	2,917	-	-	-	-	
-	-	-	-	1,308,272	105,534	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
(21,948)	-	-	-	-	-	-	-	
(21,948)	-	1,201	2,917	1,308,272	105,534	-	84	
\$ 284,483	\$ -	\$ 1,201	\$ 2,917	\$ 1,405,149	\$ 152,796	\$ 17,660	\$ 12,671	

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2013**

	Special Revenue Funds			
	Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen
<b>Assets</b>				
Cash and Pooled Investments	\$ -	\$ 64,179	\$ 9,818	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	-	-	6	-
Subsequent Year Taxes	44,775	-	3,000	51,439
Accrued Interest	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Inventories	-	-	-	-
<b>Total Assets</b>	<b>44,775</b>	<b>64,179</b>	<b>12,824</b>	<b>51,439</b>
<b>Liabilities:</b>				
Accounts Payable	-	-	3,447	-
Accrued Wages	-	-	-	-
Other Accrued Expenses	-	-	-	-
Due to Other Funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,447</b>	<b>-</b>
Unavailable Revenue - Subsequent Year Property Taxes	44,775	-	3,000	51,439
Unavailable Revenue - Other	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>44,775</b>	<b>-</b>	<b>3,000</b>	<b>51,439</b>
<b>Fund Balances:</b>				
Non-Spendable:				
Inventories	-	-	-	-
Permanent Fund	-	-	-	-
Restricted:				
Specific Tax Levy	-	64,179	6,377	-
Streets	-	-	-	-
Committed:				
Police Activities	-	-	-	-
Economic Development Activities	-	-	-	-
Community Development Activities	-	-	-	-
Assigned:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>64,179</b>	<b>6,377</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 44,775</b>	<b>\$ 64,179</b>	<b>\$ 12,824</b>	<b>\$ 51,439</b>

Special Revenue Funds							
Urban Renewal TIF West Second	Urban Renewal TIF Mitchell Marine	Hazard Mitigation	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Urban Renewal TIF New Castle	Wilson Brewer Park Depot	Webster City Pride
\$ 43,927	\$ -	\$ -	\$ 75,438	\$ -	\$ -	\$ 18,892	\$ 2,227
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,118	-	-	64,060	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,927	4,118	-	75,438	64,060	-	18,892	2,227
-	-	-	-	-	-	-	58
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	101,376	398,008	-	-	-
-	-	-	101,376	398,008	-	-	58
-	4,118	-	-	64,060	-	-	-
-	-	-	-	-	-	-	-
-	4,118	-	-	64,060	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,927	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	18,892	2,169
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(25,938)	(398,008)	-	-	-
43,927	-	-	(25,938)	(398,008)	-	18,892	2,169
\$ 43,927	\$ 4,118	\$ -	\$ 75,438	\$ 64,060	\$ -	\$ 18,892	\$ 2,227

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2013**

	Special Revenue Funds			Capital Project Funds	
	Urban Renewal TIF Bean	Urban Renewal TIF 1st State	Urban Renewal TIF Infinitv Service	Brewer Creek Estates	Bridge Project
<b>Assets</b>					
Cash and Pooled Investments	\$ 421	\$ -	\$ -	\$ 22,410	\$ -
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	-	-	-	-	-
Subsequent Year Taxes	-	30,007	30,360	-	-
Accrued Interest	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-	-
Inventories	-	-	-	-	-
<b>Total Assets</b>	<u>421</u>	<u>30,007</u>	<u>30,360</u>	<u>22,410</u>	<u>-</u>
<b>Liabilities:</b>					
Accounts Payable	-	-	-	-	-
Accrued Wages	-	-	-	-	-
Other Accrued Expenses	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unavailable Revenue - Subsequent Year Property Taxes	-	30,007	30,360	-	-
Unavailable Revenue - Other	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>30,007</u>	<u>30,360</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Non-Spendable:					
Inventories	-	-	-	-	-
Permanent Fund	-	-	-	-	-
Restricted:					
Specific Tax Levy	421	-	-	-	-
Streets	-	-	-	-	-
Committed:					
Police Activities	-	-	-	-	-
Economic Development Activities	-	-	-	-	-
Community Development Activities	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	22,410	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<u>421</u>	<u>-</u>	<u>-</u>	<u>22,410</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 421</u>	<u>\$ 30,007</u>	<u>\$ 30,360</u>	<u>\$ 22,410</u>	<u>\$ -</u>



Capital Project Funds							Permanent	Total
Wilson Ave Bridge Improvements	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal	Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
\$ 5,926	\$ 47,300	\$ 258,720	\$ 2,737	\$ 198,191	\$ 149	\$ -	\$ 413,452	\$ 3,398,018
-	-	-	-	-	-	-	-	300,000
-	-	-	-	-	-	-	-	9,365
-	-	-	-	-	-	-	-	1,231,924
-	-	-	-	2,119	-	-	-	3,435
-	-	-	-	-	-	-	-	143,156
-	-	-	-	350,000	-	-	-	489,512
-	-	-	-	54,678	-	-	-	120,766
-	-	-	-	-	-	-	-	149,902
5,926	47,300	258,720	2,737	604,988	149	-	413,452	5,846,078
-	-	97,297	-	-	-	155	-	200,763
-	-	-	-	-	-	-	-	387
-	-	-	-	-	-	-	-	24
-	-	-	-	-	-	-	-	542,209
-	-	97,297	-	-	-	155	-	743,383
-	-	-	-	-	-	-	-	1,231,924
-	-	-	-	-	-	-	-	143,391
-	-	-	-	-	-	-	-	1,375,315
-	-	-	-	-	-	-	-	149,902
-	-	-	-	-	-	-	413,452	413,452
-	-	-	-	-	-	-	-	338,699
-	-	-	-	604,988	-	-	-	1,592,446
-	-	-	-	-	-	-	-	4,118
-	-	-	-	-	-	-	-	1,413,806
-	-	-	-	-	-	-	-	21,061
5,926	47,300	161,423	2,737	-	149	-	-	239,945
-	-	-	-	-	-	(155)	-	(446,049)
5,926	47,300	161,423	2,737	604,988	149	(155)	413,452	3,727,380
\$ 5,926	\$ 47,300	\$ 258,720	\$ 2,737	\$ 604,988	\$ 149	\$ -	\$ 413,452	\$ 5,846,078

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2013**

	Special Revenue Funds				
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance	Unemployment Compensation	Road Use Tax
Revenue:					
Taxes	\$ 142,118	\$ 108,666	\$ 396,166	\$ 5,435	\$ -
Intergovernmental Revenue	-	-	-	-	783,641
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	142,118	108,666	396,166	5,435	783,641
Expenditures:					
Public Safety	48,814	83,436	232,097	7,622	-
Public Works	46,990	12,179	72,601	2,399	460,161
Culture and Recreation	60,758	14,275	70,809	3,524	-
Community and Economic Development	14,921	571	22,414	685	-
General Government	9,903	343	14,078	451	-
Capital Projects	-	-	-	-	-
Total Expenditures	181,386	110,804	411,999	14,681	460,161
Excess (deficiency) of revenues over expenditures	(39,268)	(2,138)	(15,833)	(9,246)	323,480
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(51,878)
Total other financing sources (uses)	-	-	-	-	(51,878)
Net Change in Fund Balance	(39,268)	(2,138)	(15,833)	(9,246)	271,602
Fund balances (deficits) -beginning of year	150,604	7,053	101,038	31,501	865,758
Fund balances (deficits) - end of year	\$ 111,336	\$ 4,915	\$ 85,205	\$ 22,255	\$ 1,137,360

Special Revenue Funds								
Police/Fire Retirement	DARE	Seized Property	Police Reserve Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	
\$ 204,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,333	\$ 37,766	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	3,026	1,094	-	-	
-	-	1,280	-	20,109	14,896	-	-	
204,284	-	1,280	-	23,135	15,990	17,333	37,766	
210,394	1,388	528	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	6,222	-	11,384	-	
-	-	-	-	-	-	-	-	
210,394	1,388	528	-	6,222	-	11,384	-	
(6,110)	(1,388)	752	-	16,913	15,990	5,949	37,766	
-	627	-	-	24,295	-	-	-	
-	-	-	-	-	-	(5,949)	(38,054)	
-	627	-	-	24,295	-	(5,949)	(38,054)	
(6,110)	(761)	752	-	41,208	15,990	-	(288)	
(15,838)	761	449	2,917	1,267,064	89,544	-	372	
\$ (21,948)	\$ -	\$ 1,201	\$ 2,917	\$ 1,308,272	\$ 105,534	\$ -	\$ 84	

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2013**

	Special Revenue Funds			
	Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen
Revenue:				
Taxes	\$ 45,669	\$ -	\$ 3,000	\$ 52,572
Intergovernmental Revenue	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	275	-
Total Revenue	45,669	-	3,275	52,572
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	45,669	-	9,986	34,226
General Government	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	45,669	-	9,986	34,226
Excess (deficiency) of revenues over expenditures	-	-	(6,711)	18,346
Other financing sources (uses):				
Transfers In	-	-	529	-
Transfers Out	-	-	-	(18,346)
Total other financing sources (uses)	-	-	529	(18,346)
Net Change in Fund Balance	-	-	(6,182)	-
Fund balances (deficits) -beginning of year	-	64,179	12,559	-
Fund balances (deficits) - end of year	\$ -	\$ 64,179	\$ 6,377	\$ -

Special Revenue Funds							
Urban Renewal TIF West Second	Urban Renewal TIF Mitchell Marine	Hazard Mitigation	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Urban Renewal TIF New Castle	Wilson Brewer Park Depot	Webster City Pride
\$ -	\$ 4,201	\$ -	\$ -	\$ 65,176	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,356	3,045
-	-	-	-	-	-	-	-
-	-	-	-	-	-	13,777	-
-	4,201	-	-	65,176	-	15,133	3,045
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,201	-	-	-	-	-	3,818
-	-	-	-	-	-	-	-
-	4,201	-	-	-	-	-	3,818
-	-	-	-	65,176	-	15,133	(773)
-	-	-	-	-	-	-	-
-	-	(7,275)	-	(65,176)	-	-	-
-	-	(7,275)	-	(65,176)	-	-	-
-	-	(7,275)	-	-	-	15,133	(773)
43,927	-	7,275	(25,938)	(398,008)	-	3,759	2,942
\$ 43,927	\$ -	\$ -	\$ (25,938)	\$ (398,008)	\$ -	\$ 18,892	\$ 2,169

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**June 30, 2011**

	Special Revenue Funds			Capital Project Funds	
	Urban Renewal TIF Bean	Urban Renewal TIF 1st State	Urban Renewal TIF Infinitv Service	Brewer Creek Estates	Bridge Project
Revenue:					
Taxes	\$ -	\$ 7,792	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-	-
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	1,500	1,723	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	-	9,292	1,723	-	-
Expenditures:					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Community and Economic Development	2,462	7,792	1,723	-	-
General Government	-	-	-	-	-
Capital Projects	-	-	-	212	-
Total Expenditures	2,462	7,792	1,723	212	-
Excess (deficiency) of revenues over expenditures	(2,462)	1,500	-	(212)	-
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balance	(2,462)	1,500	-	(212)	-
Fund balances (deficits) -beginning of year	2,883	(1,500)	-	22,622	-
Fund balances (deficits) - end of year	\$ 421	\$ -	\$ -	\$ 22,410	\$ -

Capital Project Funds								Permanent	Total
Wilson Ave Bridge Improvements	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal	Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund		Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,090,178
-	-	-	-	638,595	-	-	-	-	1,422,236
-	-	-	-	-	-	-	-	-	4,401
-	-	-	-	-	-	-	-	-	3,223
-	-	-	-	-	-	-	-	-	4,120
-	-	18,519	-	-	-	-	4,024	-	72,880
-	-	18,519	-	638,595	-	-	4,024	-	2,597,038
-	-	-	-	-	-	-	-	-	584,279
-	-	-	-	4,999	-	-	-	-	599,329
-	-	-	-	-	-	-	-	-	153,184
-	-	-	-	-	-	-	-	-	162,256
-	-	-	-	-	-	-	-	-	24,775
-	5,285	532,666	-	-	-	-	-	-	538,163
-	5,285	532,666	-	4,999	-	-	-	-	2,061,986
-	(5,285)	(514,147)	-	633,596	-	-	4,024	-	535,052
-	340	633,788	-	-	-	-	-	-	659,579
-	-	-	-	(634,128)	-	-	-	-	(820,806)
-	340	633,788	-	(634,128)	-	-	-	-	(161,227)
-	(4,945)	119,641	-	(532)	-	-	4,024	-	373,825
5,926	52,245	41,782	2,737	605,520	149	(155)	409,428	-	3,353,555
\$ 5,926	\$ 47,300	\$ 161,423	\$ 2,737	\$ 604,988	\$ 149	\$ (155)	\$ 413,452	\$ -	\$ 3,727,380

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**June 30, 2013**

	Trust Funds						
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Agency Fund RAGBRAI	Totals
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,801	\$ 2,090	\$ 5,000	\$ 3,079	\$ 3,526	\$ -	\$15,496
<b>Total Assets</b>	1,801	2,090	5,000	3,079	3,526	-	15,496
<b>NET POSITION</b>							
Unrestricted	1,801	2,090	5,000	3,079	3,526	-	15,496
<b>Total Net Position</b>	<u>\$ 1,801</u>	<u>\$ 2,090</u>	<u>\$ 5,000</u>	<u>\$ 3,079</u>	<u>\$ 3,526</u>	<u>\$ -</u>	<u>\$15,496</u>



CITY OF WEBSTER CITY, IOWA  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
Fiduciary Funds  
For the Year Ended June 30, 2013

	Trust Funds					Agency Fund	
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	RAGBRAI	Totals
<b>Additions</b>							
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ 4,875	\$ 100,862	\$ 105,737
<b>Deductions</b>							
Culture and Recreation	25	25	-	24	3,131	100,862	104,067
Changes in Net Position	(25)	(25)	-	(24)	1,744	-	1,670
Net Position Beginning of Year	1,826	2,115	5,000	3,103	1,782	-	13,826
Net Position End of Year	\$ 1,801	\$ 2,090	\$ 5,000	\$ 3,079	\$ 3,526	\$ -	\$ 15,496

**CITY OF WEBSTER CITY, IOWA**  
**Schedule of Expenditures of Federal Awards (Cash Basis)**  
**For the Year Ended June 30, 2013**

	CFDA Number	Agency or Pass-Through Number	Program Disburse- ments
<b>Direct:</b>			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	3-19-00097-12	\$ 524,919 *
		3-19-0097-11-2011	68,066
			<u>592,985</u>
<b>Indirect:</b>			
DEPARTMENT OF TRANSPORTATION			
Passed through the Iowa Department of Public Safety			
Alcohol Impaired Driving Countermeasures			
Incentive Grants	20.601	13-410-Task 58	12,023
Total Expenditures of Federal Awards			<u>\$ 605,008</u>

\* Total expenditures from this program exceeded 50% of the total Federal Awards and is considered a major program

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Webster City and is presented on the cash basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF WEBSTER CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

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**Part I: Summary of the Independent Auditors' Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with OMB Circular A-133 Section .510(a).
- (g) A major program was identified as CFDA # 20.106.
- (h) The dollar threshold used to distinguish between Type A and Type B programs were \$300,000.
- (i) The City of Webster City did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

**II-A-13    Financial Reporting**

Observation - During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables and payables.

Conclusion – Response accepted.

**Part III: Findings Related to Federal Awards**

**Instances of Non-Compliance:**

No matters were reported.

There were no prior year audit findings.

**Significant Deficiencies:**

No matters were reported.

**CITY OF WEBSTER CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

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**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-13 - Certified Budget – Disbursements during the year ended June 30, 2013, exceeded the amounts budgeted in the Business-type Activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-13 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-13 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 - Business Transactions – Business transactions between the City and City officials are detailed as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction/Description</b>	<b>Amount</b>
Tile Pros, Inc. – Brandon Hayes, Fireman	Retailer	\$1,249

The transaction with Brandon Hayes does not represent a conflict of interest.

IV-E-13 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-13 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-13 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-I-13 - Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council  
City of Webster City, Iowa

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF WEBSTER CITY, IOWA, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Webster City, Iowa's basic financial statements, and have issued our report thereon dated December 10, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Webster City, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Webster City, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Webster City, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-13 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Webster City, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial

instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **City of Webster City, Iowa's Response to Findings**

The City of Webster City, Iowa's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Webster City, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Webster City, Iowa during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Le Mars, Iowa  
December 10, 2013

  
Certified Public Accountants



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor, Members of the City Council  
City of Webster City, Iowa

### **Report on Compliance for Each Major Federal Program**

We have audited the CITY OF WEBSTER CITY, IOWA's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. City of Webster City, Iowa's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Webster City, Iowa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Webster City, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

The management of the City of Webster City, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Webster City, Iowa's internal

control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Webster City, Iowa's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Certified Public Accountants

Le Mars, Iowa  
December 10, 2013